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## India

### Grain and Feed

### Wheat Update October 2007

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**Report Highlights:**

In an attempt to increase wheat production next year, the government has announced a significant increase in the minimum support price of wheat for MY 2008/09. The GOI has decided to continue the ban on wheat exports and allow wheat imports by the private trade. Complaints regarding the quality of wheat imported by the government and shortage of wheat in the public distribution system in some states have started surfacing.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Quarterly Report  
New Delhi [IN1]  
[IN]

### Significant Increase in Wheat Support Price

In an attempt to increase wheat production next year, the government has announced a significant increase in the minimum support price of wheat from Rs. 8,500 (\$218) per ton (including a bonus of Rs. 1,000 per ton) in MY 2007/08 (Apr-Mar) to Rs. 10,000 (\$256) per ton for MY 2008/09. The increase in the support price (including the bonus) was a record 21.4 percent last year. The newly established wheat support price is above the prevailing market price of wheat in producing areas. Adding various market fees, levies, commissions, and taxes (totaling around 11%) and the cost of distribution (mainly the transportation cost), the total cost of procuring the 2008 wheat crop to the government will be around Rs. 13,000 (\$333) per ton. Unless the government revises the sales price of wheat and rice it distributes through the PDS, the government food subsidy will balloon next year. Wheat prices in the past few months have remained subdued in response to higher wheat production this year. However, the early announcement of a significant increase in the support price next year should lead to strengthening of domestic wheat prices in coming months.

### Wheat and Flour Export Ban to continue ...

Through an official notification issued on October 8, the government has indefinitely extended the export ban on wheat and wheat products imposed on March 29, 2007, which was valid until December 31, 2007.

(See <http://164.100.9.245/exim/2000/not/not07/not3307.htm>)

### ... imports by the Private Trade to Continue

The government also permitted wheat imports by the private trade to continue indefinitely (See <http://164.100.9.245/exim/2000/not/not07/not3507.htm>). Although, the zero import duty on private wheat imports is valid only until December 31, 2007, a customs notification further extending the zero import regime is likely to be issued soon.

-----Press Reports-----

### Wheat Import Target Likely to be cut by half

According to reports appearing in the press quoting official sources, the government is likely to import only one million tons of additional wheat this marketing year (Apr-Mar) besides the already contracted 1.3 million tons, taking total imports to 2.3 million tons, against the earlier five million tons reported by the government (compared to Post's three million tons forecast). Stable domestic prices, high international prices, and lower offtake through the PDS are said to be factors influencing the decision to lower imports. According to government projections, carry over wheat stocks with the government for MY 2008/09 will be around 5 million tons, one million tons above the required buffer stock level, provided the offtake remains at around one million tons per month during October 2007 through March 2008. The government is unlikely to issue a fresh import tender immediately, but is reportedly keeping a close watch on global wheat prices and domestic requirements.

### Red Wheat Laced With Pesticides

Even as the controversy over high priced wheat imports by the Indian government continues, a new controversy has surfaced regarding the quality of the imported wheat. A former Member of Parliament from Maharashtra, and Executive Member of the major opposition party, Barratry Janata Party (BJP), Mr. Kirit Somaiya has alleged that "imported wheat which was distributed through the Public Distribution System (PDS) was found unfit for human

consumption by the Maharashtra government's public health laboratory." Addressing a press conference, he released a report of the public health laboratory, which examined 265 samples taken by the inspectors of the Civil Supplies Department from various PDS shops in the Mumbai and Thane districts and came to the conclusion that 229 of these samples were found unfit for human consumption. "The wheat sold through PDS is imported reddish wheat, which is not grown in India. All the wheat Maharashtra got from the central pool for PDS is imported wheat." State BJP president Nitin Gadkari said, "the state government has recalled this wheat from the PDS system in Mumbai and Thane, but it is being sold through PDS shops." He also alleged that this wheat was still being given to the poor working under the employment guarantee program as part of their wages.

Mr. Somaiya said the inferior imported red wheat contained organo-phosphorous compounds like Malathion and hydrogen phosphide used as insecticides and pesticides. Gastroenteritis cases were reported from tribal belts of Dhule, Nandurbar, and other areas, after tribal people consumed the "inferior quality wheat". There were also press reports on substandard red wheat distributed through the PDS in one district of Madhya Pradesh and people falling ill after eating this wheat. Communist Party of India (Marxist) politburo member Brinda Karat, who has been leading a campaign against wheat imports, said that both the state and Central governments should be held responsible for the sham.

*Post Comment:* While answering a parliamentary question on the quality of imported wheat, the Minister of State for Consumer Affairs, Food, and Public Distribution, Dr. Akhilesh Prasad Singh had admitted on August 13 that his Ministry had received complaints regarding the poor quality of imported wheat being distributed through the PDS, mainly on account of the color of the wheat distributed (red) whereas the consumer preference in India is for white wheat. All U.S. wheat is banned in India due to overly restrictive import regulations. Red wheat this past year was imported from Russia, Ukraine, and Canada.

### **Wheat Riots in West Bengal**

Food riots, following non-availability of wheat from PDS outlets (ration shops) in West Bengal, have reportedly spread to new areas of the state. The ration shop owners, who are at the receiving end of the public anger, complained they were victims of the food inspectors' extortionist regime, which forced them to sell the highly subsidized wheat and rice meant for the PDS in the open market at higher prices. High food grain prices precipitated the agitation that was quickly exploited by opposition parties in the state. There were reports of incidents of looting of wheat from ration shops in the state.